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Libya-Egypt: Impact of Egyptian Exodus

Libya's recent border clashes with Egypt are likely to accelerate President Qadhafi's plans to reduce the large Egyptian presence in Libya. Such measures will worsen an already tight labor situation, threaten Libya's economic development program, and disrupt public services. There also will be a negative impact in Egypt, whose labor market will be unable to absorb all of the returnees.

Impact on Libya

After a year of threats by Qadhafi to expell Egyptian workers, an exodus to Egypt has begun. Increasing tensions between the two countries encouraged the departure of about 20 - 30,000 Egyptian workers on their own. Only those in sensitive government and military jobs were actually expelled. Some reports indicate that as many as 100,000 Egyptians -- including families -- have left Libya.

Manpower shortages were a serious constraint on Libyan development plans even before the departure of the Egyptians. Largely because of shortages of skilled labor and management personnel, investment spending under the five-year plan for 1976-1980 has been running 30 percent behind schedule. The government has been unable even to process the paper work needed to initiate many projects. Exacerbating the labor problem has been an effort to expand the military from 30,000 to 100,000 men. Labor shortages

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are compounded by a high illiteracy rate, low rates of female participation, and a general Libyan disdain for urban work.

As in other Middle East oil countries, Libya relies heavily on foreign workers. Foreigners make up more than a third of Libya's 900,000-man work force, and the share is likely to rise over the next decade despite the exodus of Egyptians. Foreigners reportedly already account for 60 percent of the skilled managers and civil servants. A law requiring 70 percent of the employees of foreign companies to be Libyan nationals is rarely observed.

Egyptian workers -- some 350,000 last year -- are by far the largest contingent. In addition, there reportedly are more than 75,000 Italians, Yugoslavs, and Greeks working primarily in the oil and construction industries. About 6,000 East Europeans work under commercial contracts. Poland and Romania have been active in a number of individual projects, usually connected with infrastructure. The Egyptian community in Libya -- including families of workers -- probably numbered more than 400,000 at its zenith last year, forming the backbone of Libya's professional, bureaucratic, and skilled work force. Egyptians have filled many technical and specialized jobs -- construction workers on civil and military projects, teachers,

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doctors, and civil servants. Egyptian specialists also have been involved in the various ministries responsible for preparing the national budget, statistics, and planning.

It will be difficult for Libya to replace departing Egyptians -- especially construction workers whose skills are in short supply throughout the Middle East. Professionals and civil servants who have specialized knowledge of the workings of the Libyan economy also would be difficult to replace. Turks, Pakistanis, and Europeans, often mentioned as possible replacements for Egyptians, generally lack a command of Arabic, which is a virtual necessity in Libya.

North African countries -- Morocco, Algeria, and Tunisia -- which could provide Arabic-speakers, would be unable to provide the skills mix required. Qadhafi is ardently courting Tunisian laborers, hoping to bring in about 50,000. Tunisians worked for many years in Libya but were expelled in the early 1970s when an Anschluss with Libya fell through.

#### Impact on Egypt

The exodus of workers from Libya is likely to become an acute embarrassment to the Sadat government. Construction workers, who are in short supply throughout the Arab world, can be employed in Suez Canal Zone reconstruction projects or re-exported to other OPEC countries. Returning

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white collar workers, on the other hand, will have to be absorbed in the Egyptian bureaucracy, adding to rampant underemployment and chronic inefficiency in the public sector. Under Egyptian law, all secondary school graduates must be employed, productively or not.

These returnees may also increase Sadat's political problems. Accustomed to challenging jobs and a relatively high standard of living in Libya, repatriated white collar workers will quickly become dissatisfied with the redundant tasks, low wages, and congested living conditions to which they will be subjected in Egyptian cities. The dwindling status of Egypt's middle class will also come as a shock. Since 1973, peace and economic liberalization have brought an influx of nouveau riche Arabs and Egyptians who have replaced upper level bureaucrats as the social elite in Cairo. Competition among these "fat cats" for accommodations and services have pushed the price of many comforts well above the level that the average bureaucrat can afford. The middle class is also losing economically vis a vis the lower classes, most of whom are to receive wage increases up to 50% to offset the inflationary impact of devaluation and a reduction in subsidies on consumer goods.

Egypt also will lose remittances from workers in Libya as the exodus continues but the effect will be offset to a

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large extent by continued emigration of Egyptian to higher wage Arab countries. Remittances should continue to increase, albeit more slowly than if the workers in Libya had remained in place.

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